



CITADEL

Group of Funds

Citadel Diversified Investment Trust

Citadel S-1 Income Trust Fund

Citadel HYTES Fund

Citadel SMaRT Fund

MYDAS Fund

Citadel Multi-Sector Income Fund

Series S-1 Income Fund

Citadel Income & Growth Fund

Income & Equity Index Participation Fund

Energy Plus Income Trust

Citadel Stable S-1 Income Fund

Sustainable Production Energy Trust

Equal Weight Plus Fund

Citadel Stable S-1 Income Fund

ANNUAL REPORT 2005

Citadel Stable S-1 Income Fund

Citadel Stable S-1 Income Fund (the "Fund" or "Stable S-1") is a closed-end investment trust which became listed on the Toronto Stock Exchange upon closing of its initial public offering on February 15, 2005. The Fund does not have a fixed termination date but may be terminated at any time upon not less than 90 days written notice to the Administrator with the prior approval of the unitholders of the Fund by special resolution passed at a meeting called for such purpose.

Pursuant to the Fund's distribution policy, Stable S-1 pays monthly cash distributions to the extent of the distributions received from the Fund's portfolio less expenses. Initially the Fund paid partial distributions as the proceeds from its public offering were being invested, then increased its monthly distribution to \$0.0583 per unit for a total of \$0.5947 per unit in 2005. For tax purposes, the 2005 distributions were allocated as 30.0% other taxable income, 4.3% dividend income and 65.7% return of capital.

INVESTMENT HIGHLIGHTS:

	2005
Net Asset Value per Unit ⁽¹⁾	\$ 9.32
Market Price per Unit ⁽¹⁾	\$ 8.95
Trading Premium (Discount)	(4.0%)
Cash Distributions per Unit ⁽²⁾	\$ 0.5947
Market Capitalization (\$ millions)	\$ 509.1

⁽¹⁾ Net asset value and market price per unit are based on year end values.

⁽²⁾ Trailing yield is based on the 12 months cash distributions declared in each year expressed as a percentage of year end market price.

Stock Symbol	CSR.un (TSX)
2005 High/Low	\$10.01 - \$7.45
2005 Cash Distributions	\$0.5947 per unit
2005 Taxable % ⁽³⁾	32.9%
2005 Total Return ⁽⁴⁾	(4.5%)
2005 Management Expense Ratio	1.7% (annualized)

⁽³⁾ Taxable percentage is based on all other taxable income, two-thirds of dividend income and one-half of capital gains expressed as a percentage of total distributions.

⁽⁴⁾ Total return is based upon the Fund's change in market price plus the reinvestment of cash distributions in additional units of the Fund.

Management Report of Fund Performance

This annual report includes both the annual management report of fund performance, containing financial highlights, and the complete annual financial statements of Citadel Stable S-1 Income Fund (the “Fund” or “Stable S-1”).

Unitholders may contact us by calling toll-free 1-877-261-9674 or by visiting our website at www.citadelfunds.com to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

Stable S-1’s investment objectives are to provide investors with stable and sustainable monthly cash distributions and to maintain a Standard & Poor’s (S&P) SR-1 stability rating. This rating signifies S&P’s assessment that the Fund’s trust units have the highest level of distribution sustainability and the lowest level of distribution variability in relation to other rated Canadian income funds. In order to achieve these objectives, the Fund’s Investment Manager, Bloom Investment Counsel, Inc., actively manages a diversified portfolio of Canadian income funds and Canadian high yielding investment grade debt necessary to achieve and maintain a SR-1 Stability Rating.

RISK

There are a number of risks associated with an investment in Stable S-1. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund’s portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates and interest rates and include general business operation risks, any of which may affect the issuers’ income and as a result reduce distributions to its unitholders and the value of its units. Diversification and active management by the Fund’s investment manager of the securities held in the portfolio may reduce these risks.

RESULTS OF OPERATIONS

Upon closing of Stable S-1’s initial public offering on February 15, 2005 and subsequent exercise of an over-allotment option, the Fund raised gross proceeds of \$575.0 million (net proceeds of \$543.8 million) on the issuance of 57.5 million units at \$10.00 per unit. The Fund deployed a significant portion of the net proceeds during February and March, a period of strong valuations for the trust sector. However by late March, a broad sell off began in the trust sector due to rising interest rates which resulted in downward pressure on the Fund’s net asset value. The Fund’s portfolio recovered some of the early losses with net assets of \$530.4 million or \$9.32 per unit as at December 31, 2005. Also adding to the decline in net assets was ongoing unit repurchases under the Fund’s mandatory repurchase program.

The Fund’s market price declined from its issue price to \$8.95 per unit at year end. Stable S-1’s change in unit price plus monthly distributions resulted in a negative 4.5% total return for 2005, while the Fund generated a positive 5.1% total return on a net asset value basis. By comparison, the S&P/TSX Income Trust Index increased by 20.7% over the same period.

Total revenue for the Fund’s partial year of operation was \$39.4 million, covering the period from February 15, 2005 to December 31, 2005. Administrative and investment manager fees, which are paid in units and calculated in reference to the Fund’s net asset value, totaled \$5.45 million for the period. Trailer fees, which are also calculated in reference to the Fund’s net asset value, totaled \$1.9 million for the period while general and administration costs, including other expenses, totaled \$0.5 million. After total expenses of \$7.8 million, the Fund generated net investment income of \$31.6 million or \$0.55 per unit for 2005.

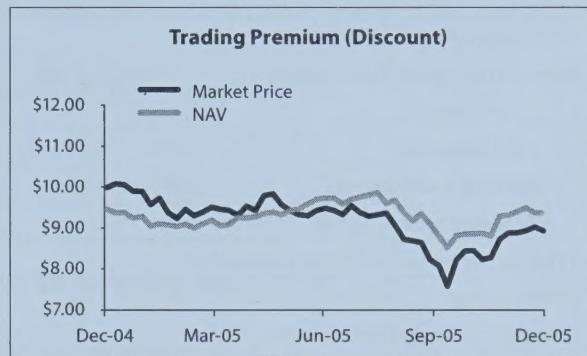
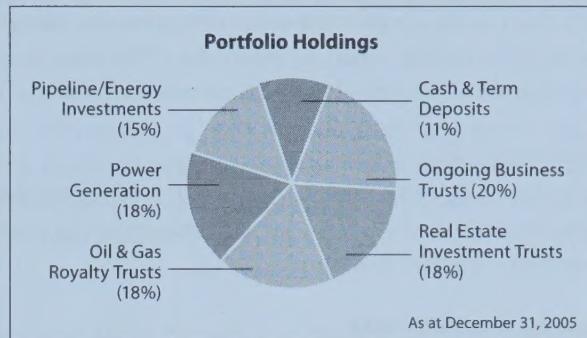
Stable S-1 paid its first monthly distribution on March 15, 2005 to unitholders of record on February 28, 2005. Total distributions paid in 2005 were \$34.1 million or \$0.5947 per unit.

The Fund realized capital losses on the sale of investments of \$1.8 million in 2005 as certain underperforming trusts were sold and portfolio weightings adjusted throughout the year. Unrealized losses in the Fund's portfolio totaled \$3.9 million for the period as valuations declined. The Fund generated total results of operations of \$25.9 million or \$0.45 per unit over the period from inception to December 31, 2005.

By year end, the Fund was substantially invested with a balanced portfolio of income funds and cash reserves of \$60.0 million available for future investment. The fund's portfolio mix was designed to comply with the SR-1 stability rating requirements. As a result of the Fund's mandatory underweight position in the strong performing energy sector and the Fund's market price decline, the Fund's performance trailed the Index.

TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE

Commencing in the second quarter of 2005, Stable S-1's unit price persistently traded below its net asset value. As a result, the Fund was required to repurchase 1,216,100 units for cancellation under its mandatory repurchase program at an average cost of \$8.81 per unit. Under the Fund's mandatory repurchase program, the Fund is obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%. In addition, the Fund repurchased 40,000 units pursuant to a normal course issuer bid at an average cost of \$8.03 per unit.



STABILITY RATING

Standard & Poor provides a rating scale to assist investors in understanding the risk profile of an investment in an income fund. Standard and Poor's Stability Ratings characterize the stability of the cash distribution stream of an income fund in terms of variability and sustainability in the medium to longer term. The rating continuum ranges from SR-1 at the most stable to SR-7 for the least stable. During 2005, the Fund maintained its SR-1 stability rating and expects to maintain its rating again in 2006.

RECENT DEVELOPMENTS

The current combination of low inflation, high commodity prices and relatively low interest rates provide a favorable environment and a positive outlook for the income trust sector. With its SR-1 stability rated portfolio, Stable S-1 expects to maintain its monthly distribution rate of \$0.0583 per unit for 2006 based upon the Fund's current portfolio and analysts' estimates of distributions from the portfolio.

FORWARD LOOKING STATEMENTS

This document contains certain forward looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange, stock market volatility, and market valuations of income and royalty trusts. Our actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurances can be given that any of these events anticipated by the forward looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that we will derive therefrom.

RELATED PARTY TRANSACTIONS

Stable Yield Management Inc. is the administrator of Stable S-1, which is a member of the Citadel Group of Funds. CIFSG Funds Inc. provides administrative services to the administrators of the Citadel Group of Funds on a cost recovery basis. All non-fund specific costs are allocated among the Citadel Group of Funds on a relative net asset value basis.

Pursuant to the administrative services agreement, administrative and investment management fees are based upon 1.1% of the average weekly net asset value of the Fund, payable in units monthly in arrears. The administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help the reader understand the Fund's financial performance for the past year. This information is derived from the Fund's audited annual financial statements.

Net Asset Value per Unit

	2005 ⁽¹⁾
NAV, beginning of period	\$ 9.46
Increase (decrease) from operations:	
Total revenue	0.69
Total expenses	(0.14)
Realized gains (losses)	(0.03)
Unrealized gains (losses)	(0.07)
Total increase (decrease) from operations	0.45
Distributions:	
From net investment income	0.59
Total annual distributions	0.59
NAV, end of period	\$ 9.32

⁽¹⁾ The Fund commenced operations on February 15, 2005.

Net asset value ("NAV") and cash distributions are based on the actual number of units outstanding at the time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This schedule is not a reconciliation of NAV since it does not reflect unitholder transactions as shown on the Statement of Changes in Net Assets and accordingly columns may not add.

Ratios and Supplemental Data

	2005
Net assets (\$ 000's)	\$ 530,388
Number of units outstanding	56,885,629
Management expense ratio	1.68%
Portfolio turnover ratio	3.57%
Trading expense ratio	0.14%
Closing market price	\$ 8.95

Management expense ratio is based on total expenses for the period and is expressed as an annualized percentage of weekly average net assets during the period.

Portfolio turnover ratio is based on the lesser of cost of purchases or proceeds of disposition and is expressed as a percentage of the monthly average portfolio value.

Trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

MANAGEMENT FEES

Pursuant to the administrative services agreement, administrative and investment management fees are based upon 1.1% of the average weekly net asset value of the Fund, payable in units monthly in arrears. Bloom Investment Counsel, Inc., as investment manager to the Fund, provides investment management services to the Fund in exchange for its share of the management fee. These fees represent payment for the administrative and investment management services provided to the Fund.

PAST PERFORMANCE

Stable S-1's performance from inception in February 2005 to December 31, 2005 is based upon the Fund's change in market price plus the reinvestment of all distributions in additional units of the Fund. For the stub period from February 15, 2005 to December 31, 2005, the Fund generated a total return of negative 4.5%. The Fund's historical performance does not necessarily indicate how it will perform in the future.

ANNUAL COMPOUND RETURNS

In the table below is the annual compound return for the period ended December 31, 2005 for Stable S-1 based on market price and net asset value with comparison to the S&P/TSX Capped Income Trust Index over the same period.

	Since inception
Stable S-1 (market price)	(4.5%)
Stable S-1 (net asset value)	5.1%
S&P/TSX Capped Income Trust Index	20.7%

SUMMARY OF INVESTMENT PORTFOLIO

The Fund's portfolio as at December 31, 2005 consists of the following subgroups:

	2005
Ongoing Business Trusts	19.5%
Power Generation Investments	18.4%
Real Estate Investment Trusts	18.1%
Oil & Gas Royalty Trusts	17.6%
Pipeline / Energy Investments	15.1%
Cash and Term Deposits	11.3%
Total Investments	100.0%

The top 25 holdings as at December 31, 2005 based on market values:

Summit Reit	5.1%	Paramount Energy Trust	2.6%
Atlantic Power Corporation	4.1%	AltaGas Income Trust	2.2%
Keyera Facilities Income Fund	4.0%	Baytex Energy Trust	2.2%
Dundee Reit	3.9%	Energy Savings Income Fund	2.1%
Inter Pipeline Fund	3.8%	Algonquin Power Income Fund	2.1%
Northland Power Income Fund	3.6%	Great Lakes Carbon Income Fund	2.0%
TransAlta Power L.P.	3.5%	Boralex Power Income Fund	1.9%
Yellow Pages Income Fund	3.3%	Riocan Reit	1.8%
Noranda Income Fund	2.9%	Esprit Energy Trust	1.8%
NAL Oil & Gas Trust	2.8%	H&R Reit	1.7%
Retirement Residences Reit	2.7%	KCP Income Fund	1.6%
Viking Energy Trust	2.7%	Innergex Power Income Fund	1.6%
Acclaim Energy Trust	2.6%	% of Total Portfolio	68.8%

Management's Responsibility Statement

The financial statements of Citadel Stable S-1 Income Fund have been prepared by Stable Yield Management Inc. ("SYMI") and approved by the Board of Directors of SYMI. SYMI is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

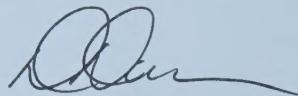
SYMI maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board of Directors of SYMI is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the independent directors of the Board.

The Audit Committee on behalf of SYMI and its Board of Directors has appointed the external audit firm of PricewaterhouseCoopers LLP. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements. The auditors have full and unrestricted access to the Audit Committee to discuss their findings.

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James T. Bruvall
Chief Executive Officer
Stable Yield Management Inc.
April 6, 2006



Darren K. Duncan
Chief Financial Officer
Stable Yield Management Inc.

Auditors' Report to Unitholders

To the Unitholders of Citadel Stable S-1 Income Fund

We have audited the statements of net assets and investments of Citadel Stable S-1 Income Fund as at December 31, 2005, and the statements of operations and changes in net assets for the period from December 6, 2004, the date of inception of the Fund, to December 31, 2005. These financial statements are the responsibility of management of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and investments of the Fund as at December 31, 2005 and the results of its operations and the changes in its net assets for the period from December 6, 2004, the date of inception of the Fund, to December 31, 2005 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

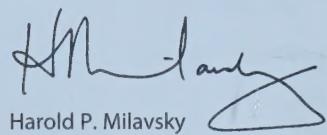
Chartered Accountants
Calgary, Alberta
March 10, 2006

Statement of Net Assets

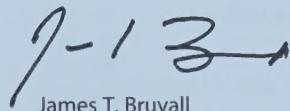
As at December 31,	2005
Assets	
Investments, at market	\$ 470,267,724
Cash and term deposits	59,950,759
Revenue receivable	3,817,373
Accounts receivable	174,593
Prepaid expenses	6,171
	534,216,620
Liabilities	
Accounts payable and accrued liabilities	511,970
Distributions payable	3,316,432
	3,828,402
Net Assets representing Unitholders' Equity	\$ 530,388,218
Units outstanding (note 3)	56,885,629
Net asset value per unit	\$ 9.32

see accompanying notes

Signed on behalf of the Board,



Harold P. Milavsky
Chairman of the Board



James T. Bruvall
Director and Chief Executive Officer

Statement of Operations

For the Period
December 6, 2004 to
December 31, 2005

Revenue

Distribution income	\$ 36,768,150
Interest income	2,254,500
Securities lending income	374,191
	<u>39,396,841</u>

Expenses

Administrative and investment manager fees (note 4)	5,453,765
Trailer fee (note 5)	1,895,260
General and administration costs	239,694
Directors' fees	72,064
Reporting costs	70,111
Custodial fees	43,957
Audit fees	24,294
Trustee fees	4,806
Legal fees	1,842
	<u>7,805,793</u>

Net investment income	31,591,048
Net realized gain (loss) on sale of investments (note 6)	(1,751,219)
Net change in unrealized gain (loss) on investments	(3,938,900)
Total results of operations	<u>\$ 25,900,929</u>

Results of operations per unit ⁽¹⁾

Net investment income	\$ 0.55
Net realized gain (loss) on sale of investments	(0.03)
Net change in unrealized gain (loss) on investments	(0.07)
	<u>\$ 0.45</u>

⁽¹⁾ Based on the weighted average number of units outstanding.

see accompanying notes

Statement of Changes in Net Assets

For the period
December 6, 2004 to
December 31, 2005

Net Assets – beginning of period	\$ –
Operations:	
Net investment income	31,591,048
Net realized gain (loss) on sale of investments	(1,751,219)
Net change in unrealized gain (loss) on investments	(3,938,900)
	<u>25,900,929</u>
Unitholder Transactions: (note 3)	
Issuance of trust units, net	549,653,617
Repurchase of trust units	(11,038,701)
	<u>538,614,916</u>
Distributions to Unitholders: (note 7)	
From net investment income	(34,127,627)
Net Assets – end of period	<u>\$ 530,388,218</u>
Distributions per unit	<u>\$ 0.5947</u>

see accompanying notes

Statement of Investments

	December 31, 2005			
	Number of Units Held	Cost	Market Value	% of Market
Ongoing Business Trusts				
Bell Nordiq Income Fund	234,500	\$ 3,802,154	\$ 4,174,100	
Chemtrade Logistics Income Fund	580,000	9,674,342	6,200,200	
Clearwater Seafoods Income Fund	900,000	7,628,400	3,375,000	
CML Healthcare Income Fund	590,000	7,740,000	8,496,000	
Custom Direct Income Fund	600,000	9,082,200	5,910,000	
Grandby Industries Income Fund	510,000	6,142,338	2,983,500	
Great Lakes Carbon Income Fund	1,058,500	12,555,305	10,690,850	
KCP Income Fund	950,000	9,924,870	8,740,000	
Noranda Income Fund	1,300,000	17,790,500	15,535,000	
Prism Canadian Income Fund	642,200	9,371,285	6,100,900	
Spinrite Income Fund	1,000,000	11,219,100	6,240,000	
SunGro Horticultural Income Fund	1,100,000	9,540,300	7,425,000	
Yellow Pages Income Fund	1,075,000	14,703,250	17,522,500	
		129,174,044	103,393,050	19.5%
Power Generation Investments				
Algonquin Power Income Fund	1,045,500	11,006,834	10,925,475	
Atlantic Power Corporation	2,100,000	23,582,600	21,840,000	
Boralex Power Income Fund	1,000,000	11,725,350	10,020,000	
Epcor Power L.P.	231,000	7,908,142	8,142,750	
Innergex Power Income Fund	650,000	8,947,899	8,580,000	
Northland Power Income Fund	1,296,400	18,812,823	19,329,324	
TransAlta Power L.P.	1,900,000	19,681,727	18,620,000	
		101,665,375	97,457,549	18.4%
Real Estate Investment Trusts				
Dundee Reit	800,000	21,477,114	20,560,000	
Firm Capital Mortgage Investment Trust	700,000	8,823,500	7,546,000	
H&R Reit	425,000	8,117,500	8,840,000	
Retirement Residences Reit	1,620,000	16,005,828	14,175,000	
Riocan Reit	430,000	7,940,920	9,799,700	
Summit Reit	1,100,000	22,006,000	27,027,000	
TGS North American Reit	1,000,000	9,784,393	7,930,000	
		94,155,255	95,877,700	18.1%
Oil & Gas Royalty Trusts				
Acclaim Energy Trust	740,000	11,728,953	14,023,000	
Baytex Energy Trust	660,000	9,721,894	11,682,000	
Bonavista Energy Trust	200,000	5,806,400	7,620,000	
Esprit Energy Trust	700,000	9,026,000	9,422,000	
Ketch Resources Trust	700,000	9,821,104	7,868,000	
NAL Oil & Gas Trust	820,000	11,613,060	14,825,600	
Paramount Energy Trust	625,000	10,628,013	13,856,250	
Viking Energy Trust	1,540,000	10,970,960	14,168,000	
		79,316,384	93,464,850	17.6%
Pipeline/Energy Investments				
AltaGas Income Trust	425,000	10,524,275	11,878,750	
Energy Savings Income Fund	600,000	9,366,500	11,394,000	
Fort Chicago Energy Partners L.P.	620,000	7,874,000	7,433,800	
Inter Pipeline Fund	2,000,000	18,580,580	20,100,000	
Keyera Facilities Income Fund	978,300	15,117,240	21,278,025	
Superior Plus Income Fund	340,000	8,432,970	7,990,000	
		69,895,565	80,074,575	15.1%
Investments		474,206,623	470,267,724	88.7%
Cash and Term Deposits		59,950,759	59,950,759	11.3%
Total		\$ 534,157,382	\$ 530,218,483	100.0%

All portfolio holdings are trust units, except the following: Atlantic Power Corporation – income participating security; Epcor Power L.P. and TransAlta Power L.P. – LP units; Fort Chicago Energy Partners L.P. and Inter Pipeline Fund – Class A LP units.

Notes to Financial Statements

December 31, 2005

1. STRUCTURE OF THE FUND

Citadel Stable S-1 Income Fund (the "Fund" or "Stable S-1") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated as of December 6, 2004. The Fund commenced operations on February 15, 2005, when it completed an issue of 57.5 million trust units at \$10.00 per unit through an initial public offering. The Fund does not have a fixed termination date but may be terminated at any time upon not less than 90 days written notice to the Administrator with the prior approval of the unitholders of the Fund by special resolution passed at a meeting called for such purpose.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

(a) Cash and cash equivalents

Cash consists of cash on hand and short term bankers' acceptances with maturities of less than 90 days on acquisition.

(b) Valuation of investments

Investments are stated at market values based on closing market quotations. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Canadian income taxes

The Fund qualified as a unit trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada). As all taxable income was allocated to unitholders in 2005, no provision for income taxes has been made in these financial statements.

(d) Investment income

Dividend income is recorded on the ex-dividend date, interest is recognized as earned and distribution income is recorded on the ex-distribution date. Securities lending income is recognized as earned. Capital gains and losses are recognized on the trade date.

(e) Financial instruments

The fair values of the Fund's financial instruments which are comprised of cash and term deposits, revenue receivable, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and distributions payable approximate their carrying amount due to the short-term maturity of these instruments.

3. UNITHOLDERS' CONTRIBUTION

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

Issued and outstanding	2005	
	Number	Amount
Trust units – beginning of period	–	\$ –
Issued for cash:		
Initial public offering	55,000,000	\$ 550,000,000
Over-allotment provision	2,500,000	25,000,000
Agents' fees and issue costs	–	(31,230,641)
Issued for services (note 4)	560,558	5,159,476
Issued under DRIP	81,171	724,782
Repurchase of trust units	(1,256,100)	(11,038,701)
Trust units – end of period	56,885,629	\$ 538,614,916

The weighted average number of units outstanding in 2005 was 57,426,808 units.

The Fund has a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% are repurchased for cancellation, subject to a maximum of 1.25% in each calendar quarter of the total number of units outstanding at the beginning of each such quarter. During 2005, the Fund repurchased 1,216,100 units under this program at an average cost of \$8.81 per unit.

On October 11, 2005, the Fund entered into a normal course issuer bid whereby a total of 5,727,558 units may be repurchased for cancellation over a period of twelve months. For the period ended December 31, 2005, the Fund had repurchased a total of 40,000 units at an average cost of \$8.03 per unit pursuant to this bid.

Unitholders of Stable S-1 can acquire additional units by participating in the Distribution Reinvestment Plan ("DRIP"). The DRIP enables unitholders to reinvest their monthly distributions in additional units of the Fund at the 5 day weighted average market price of the Fund's units. In 2005, a total of 81,171 units were issued under the DRIP.

Unitholders have the right to redeem their units on an annual basis in June of each year, commencing in June of 2006. The redemption value is net asset value less the costs of and associated with selling sufficient investments to meet the redemption amount.

4. ADMINISTRATIVE AND INVESTMENT MANAGER/DIRECTORS' FEES

Stable Yield Management Inc. ("SYMI") is the administrator of the Fund and Bloom Investment Counsel, Inc. is the investment manager of the Fund. Pursuant to the administrative services and investment management agreements, aggregate administrative and investment manager fees are based upon 1.1% of the aggregate of the average weekly net asset value of the Fund, payable in units monthly in arrears. During 2005, the Fund issued 554,308 trust units and recorded an expense of \$5,453,765 in respect of the administrative and investment management fees during the period. The administrative services agreement also provides for the reimbursement of certain expenses incurred by the administrator during the performance of its duties. As at December 31, 2005, included in accounts receivable were amounts owed from SYMI of \$174,593.

Directors of SYMI received a total of 6,250 trust units in 2005 as payment for their annual retainers.

5. TRAILER FEE

Stable S-1 pays a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by unitholders in accounts with investment dealers. During 2005, the Fund recorded an expense of \$1,895,260 relating to the trailer fee.

6. INVESTMENTS

The net realized loss on the sale of investments was determined as follows:

	2005
Net proceeds from the sale of securities	\$ 18,976,943
Less cost of securities sold:	
Investments at cost – beginning of period	–
Investments purchased during period	494,934,785
Investments at cost – end of period	(474,206,623)
Cost of investments disposed of during period	20,728,162
Net realized loss on sale of investments	\$ (1,751,219)

7. CASH DISTRIBUTIONS

The Fund pays out monthly cash distributions based upon cash distributions received by the Fund less estimated expenses.

	2005
Net investment income for the period	\$ 31,591,048
Add fees paid by issuance of units	5,154,268
Capital distributed (cash flow retained)	(2,617,689)
Cash distributions	\$ 34,127,627
Cash distributions per unit	\$ 0.5947

8. BROKER COMMISSIONS

The Fund paid commissions to brokers of \$650,792 in 2005 in relation to the purchase and sale of investments.

Corporate Information

Administrators

Citadel Diversified Management Ltd.
Citadel S1 Management Ltd.
Citadel TEF Management Ltd.
Citadel CPRT Management Ltd.
MYDAS Management Inc.
Citadel Multi-Sector Management Inc.
Citadel Series Management Ltd.
Citadel IG Management Ltd.
Equity Lift Management Ltd.
N.A. Energy Management Inc.
Stable Yield Management Inc.
Sustainable PE Management Inc.
Equal Weight Management Ltd.
Suite 3500, 350 - 7th Avenue S.W.
Calgary, Alberta T2P 3N9
Telephone: (403) 261-9674
Toll Free: 1 877 261-9674
Fax: (403) 261-8670
Website: www.citadelfunds.com
Email: info@citadelfunds.com

Directors and Officers

Harold P. Milavsky - Chairman of the Board
Paul L. Waitzer - Director
Doug D. Baldwin - Director
Kent J. MacIntyre - Director
James T. Bruvall - Director and Chief Executive Officer
Darren K. Duncan - Chief Financial Officer

Investment Manager

(CTD.un, SDL.un, CHF.un, CRT.un, MYF.un,
CMS.un, SRC.un, CIF.un and CSR.un)
Bloom Investment Counsel, Inc.
Suite 1710, 150 York Street
Toronto, Ontario M5H 3S5

Investment Manager

(EPF.un and SPU.un)
Galileo Equity Management Inc.
161 Bay Street, Suite 4730
Toronto, Ontario M5J 2S1

Rebalancing Advisor

(IEP.un and EQW.un)
Shaunessy Investment Counsel
Suite 504, 933-17th Avenue S.W.
Calgary, Alberta T2T 5R6

Trustee

Computershare Trust Company of Canada
Sixth Floor
530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Custodian

CIBC Mellon Global Securities Services Company
320 Bay Street, 6th Floor
Toronto, Ontario M5H 4A6

Legal Counsel

Stikeman Elliott LLP
4300 Bankers Hall West
888 - 3rd Street S.W.
Calgary, Alberta T2P 5C5

Auditors

PricewaterhouseCoopers LLP
3100, 111 - 5th Avenue S.W.
Calgary, Alberta T2P 5L3

Stock Exchange Listings

The Toronto Stock Exchange
Citadel Diversified Investment Trust units: **CTD.un**
Citadel S-1 Income Trust Fund units: **SDL.un**
Citadel HYTES Fund units: **CHF.un**
Citadel SMArt Fund units: **CRT.un**
MYDAS Fund units: **MYF.un**
Citadel Multi-Sector Income Fund units: **CMS.un**
Series S-1 Income Fund units: **SRC.un**
Citadel Income & Growth Fund units: **CIF.un**
Income & Equity Index Participation Fund units: **IEP.un**
Energy Plus Income Trust units: **EPF.un**
Citadel Stable S-1 Income Fund units: **CSR.un**
Sustainable Production Energy Trust units: **SPU.un**
Equal Weight Plus Fund units: **EQW.un**



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